

Message Text

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TO USDEL SECRETARY IMMEDIATE

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FOR FUNSETH FROM S/PRS

E.O. 11652: N/A

TAGS: SOPN (KISSINGER, HENRY A.)

SUBJECT: WASH STAR STORY BY O'LEARY JANUARY 23, 1976

ENTITLED: "SLIPUP: DISCLOSURE OF U.S. AID CUT

JOLTS ISRAEL"

NO. 16

FOLLOWING IS FULL TEXT OF SUBJECT STORY:

"CONSIDERABLE CONSTERNATION REIGNED TODAY IN BOTH THE ISRAELI EMBASSY HERE AND THE STATE DEPARTMENT AT THE PREMATURE DISCLOSURE IN THE 1977 FEDERAL BUDGET THAT ISRAEL IS SLATED FOR A MULTIMILLION-DOLLAR CUT IN AMERICAN ARMS AID.

"WHETHER BY SOME CLERICAL ERROR IN THE OFFICE OF MANAGEMENT AND BUDGET OR BY MACHIAVELLIAN DESIGN, THE 1977 BUDGET APPENDIX DISCLOSED YESTERDAY THAT THE ADMINISTRATION PLANS A TOTAL MILITARY ASSISTANCE PACKAGE FOR ISRAEL OF ONE BILLION DOLLARS, AT LEAST HALF A BILLION DOLLARS BELOW THE 1976 LEVEL.

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"OFFICIALS WERE NOT ABLE TO EXPLAIN THE PREMATURE DISCLOSURE OF WHAT MILITARY ASSISTANCE WASHINGTON PROPOSES TO GIVE TO ISRAEL IN FISCAL 1977. NO ONE DISPUTED THAT THE FIGURES ARE ACCURATE, BUT THOSE QUESTIONED SAID THE

DISCLOSURE WAS MADE BY MISTAKE.

"THE STANDARD BUDGET PRACTICE IS THAT THE PRESIDENT'S BUDGET PROPOSALS ARE SENT TO CONGRESS IN JANUARY, BUT FOREIGN ASSISTANCE IS ALWAYS LUMPED IN ONE FIGURE WITH NO COUNTRY-BY-COUNTRY BREAKDOWN.

"THE BUDGET ACT REQUIRES THE PRESIDENT TO SEND THE YELLOW-JACKETED DETAILED FOREIGN AID PROPOSAL TO CONGRESS ON FEBRUARY 14. THAT IS WHEN THE APPROXIMATELY 50 COUNTRIES RECEIVING FOREIGN AID FROM THE UNITED STATES FIND OUT FOR THE FIRST TIME WHAT THE ADMINISTRATION CONTEMPLATES SENDING THEIR WAY.

"THE STATE DEPARTMENT WAS APPARENTLY AS SURPRISED AS THE ISRAELIS TO DISCOVER THAT THE BUDGET REVEALED THE PRECISE FIGURE OF ARMS AID FOR ISRAEL. THE SURPRISE GAVE WAY TO EMBARRASSMENT BECAUSE SECRETARY OF STATE HENRY A. KISSINGER'S AIDES HAD NOT YET INFORMED AMBASSADOR SIMCHA DINITZ THAT SO HEFTY A REDUCTION WAS PLANNED IN ARMS AID TO ISRAEL.

"THE EMBARRASSMENT IN FOGGY BOTTOM WAS EVEN DEEPER SINCE THE INADVERTENT DISCLOSURE EMERGED ONLY A FEW DAYS BEFORE THE SCHEDULED ARRIVAL HERE OF ISRAEL'S PRIME MINISTER YITZHAK RABIN. THE ISRAELI LEADER ARRIVES IN WASHINGTON NEXT TUESDAY FOR HIGH-LEVEL TALKS ON THE FUTURE OF THE MIDDLE EAST.

"SOME OFFICIALS IN THE STATE DEPARTMENT WERE GRATEFUL THAT KISSINGER WAS OUT OF TOWN, BUT ONE SAID 'WHEREVER HE IS, KISSINGER WILL BE BLOWING HIS STACK WHEN HE HEARS ABOUT THIS.'

"THERE IS NO SHORTAGE OF STATE DEPARTMENT OFFICIALS
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ANXIOUS TO SWEAR THAT INCLUSION OF THE ISRAELI ARMS AID FIGURE WAS AN ACCIDENT. 'MY GOD, DO YOU THINK WE WOULD HAVE DONE THIS ON PURPOSE WITH RABIN ON HIS WAY HERE,' SAID ONE OFFICIAL. 'IT HAD TO BE SOME BUDGET CLERK WHO DIDN'T KNOW WHAT HE WAS DOING.'

"THE ISRAELIS JUST SOUNDED GRIM.

"ISRAEL WAS THE ONLY COUNTRY FOR WHICH A SPECIFIC ARMS AID FIGURE WAS LISTED IN THE BUDGET APPENDIX. HALF OF THE ONE BILLION DOLLARS IN MILITARY AID PLANNED FOR ISRAEL IN 1977 WILL BE FORGIVEN.

"THE TOTAL COMPARES WITH A 1976 FIGURE OF 1.5 BILLION DOLS.,

OF WHICH 750 MILLION DOLLARS WILL BE FORGIVEN. IN OTHER WORDS, MILITARY CREDIT SALES TO ISRAEL ARE BEING CUT BY 500 MILLION DOLLARS AND THE PORTION TO BE FORGIVEN IS REDUCED BY 250 MILLION DOLLARS.

"MOREOVER, IN THE SWITCH-OVER OF THE FISCAL YEAR STARTING FROM JULY TO OCTOBER -- THE SO-CALLED 'FIFTH QUARTER' -- NO ARMS ASSISTANCE IS LISTED FOR ANY COUNTRY, INCLUDING ISRAEL WHICH IS ALMOST TOTALLY DEPENDENT ON THE UNITED STATES FOR ARMS ASSISTANCE.

"ONE OFFICIAL SAID WRYLY, 'THIS AMOUNTS TO CUTTING A QUARTER OUT OF EVERY DOLLAR. ISRAEL ISN'T THE ONLY FOREIGN AID RECIPIENT TO BE HIT BY THE FIFTH QUARTER OMISSION BUT THEY ARE TAKING THE BIGGEST BATH IN THIS THING.'

"ADDING UP THE 500 MILLION DOLLAR REDUCTION WITH THE CUT IN THE FUNDS THAT ISRAEL WILL NOT HAVE TO REPAY, PLUS THE MISSING FIFTH QUARTER FUNDS, THE REDUCTION IN AID TO ISRAEL IS ON THE ORDER OF ABOUT 900 MILLION DOLLARS.

"DINITZ COULD NOT BE REACHED FOR COMMENT BUT ONE SOURCE SAID THE ISRAELI EMBASSY WAS BURNING UP THE WIRES TO JERUSALEM TRYING TO EXPLAIN THE APPARENT ADMINISTRATIVE FOUL-UP IN THE PUBLICATION OF THE AMERICAN BUDGET AND UNCLASSIFIED

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VERIFYING TO JERUSALEM THAT THERE IS INDEED A MAJOR CUT PLANNED IN ARMS AID TO ISRAEL.

"DIPLOMATIC SOURCES PREDICTED THAT THE ISRAELI GOVERNMENT WOULD WASTE NO TIME LAUNCHING A DIPLOMATIC AND POLITICAL CAMPAIGN TO GET THE ARMS AID RESTORED TO THE EXPECTATIONS OF THE ISRAELIS. THERE IS A POWERFUL BLOC OF CONGRESSMEN ON CAPITOL HILL WHO UNQUESTIONABLY WILL BE HEARD FROM AS SOON AS WORD GETS AROUND.

"THE STATE DEPARTMENT SAID TODAY WITH CHAGRIN THAT THE NEW FIGURES ARE CORRECT FOR THE SECURITY ASSISTANCE PACKAGE AND THAT IT DID NOT KNOW HOW THE SECRET INFORMATION GOT INTO THE BUDGET APPENDIX PREMATURELY.

"A DETAILED STATEMENT WILL BE MADE IN FEBRUARY, THE DEPARTMENT SAID, AT WHICH TIME THE ISRAELI ECONOMIC AID PACKAGE WILL BE MADE PUBLIC. IT IS GENERALLY BELIEVED THAT ABOUT 800 MILLION IN ECONOMIC AND FINANCIAL ASSISTANCE WILL BE ALLOTTED TO ISRAEL BY THE ADMINISTRATION.

"WHILE OMB AND THE STATE DEPARTMENT ARE TRYING TO FIND OUT WHAT EXACTLY HAPPENED, IT WAS POINTED OUT THAT SYRIA, EGYPT AND JORDAN ALSO WILL LOSE FUNDS IN THE FIFTH QUARTER. BUT NO COUNTRY WILL LOSE NEARLY AS MUCH AS THE ISRAELIS ALREADY KNOW THEY WILL."

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